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SUBJ: CANADA: ODDS RISE FOR GOVERNMENT TO SURVIVE -- THIS WEEK

REF: OTTAWA 709

11. (SBU) Summary: Odds of the federal government's survival -- for now -- rose again on September 14 following a Conservative gesture to the opposition on Employment Insurance (E.I.) that may be enough to allow the New Democratic Party (NDP) to switch tactics and back the government, at least temporarily averting an election that the NDP is ill-equipped to fight. However, the left-wing NDP is unlikely to risk alienating its core supporters by propping up the Conservatives for very long. For their part, the Conservatives currently occupy a sweet spot -- ahead in the polls and governing as the economy improves, but election-ready if the opposition parties unite to topple the government in the coming weeks. While the government looks likely to survive a confidence vote on a Ways and Means motion on September 18, it will likely face another confidence vote on September 29 or 30, which it may well lose. End Summary.

CONSERVATIVES SEIZE THE INITIATIVE

12. (U) The House of Commons reconvened on September 14 after its summer break, and the Conservatives moved quickly to test their support in the House of Commons after Liberal leader Michael Ignatieff announced on September 1 that his party would no longer prop up the government (reftel). The Conservatives tabled notice of a Ways and Means motion (a procedural device and an automatic confidence matter) to implement tax credits announced in the 2009 budget -- but not yet approved by Parliament, unbeknownst to most -- including a popular home renovation tax credit, help for first-time home buyers, and aid to farmers. The House of Commons will vote on the motion on September 18. In a separate initiative, the government announced its intention to table legislation on September 16 to enhance Employment Insurance (E.I.), including extending benefits by up to 20 weeks for long-tenured workers. The measure would help an estimated 190,000 workers, especially in the hard-hit manufacturing, auto, and forestry industries.

MINOR PARTIES TO HOLD THEIR NOSES?

13. (U) Liberal leader Michael Ignatieff quickly made clear that his party would vote against the Ways and Means motion. However, the New Democratic Party (NDP) and the Bloc Quebecois have signaled that they might support it, dialing down expectations of the government's imminent defeat. NDP leader Jack Layton insisted that, although ready for an election, he preferred to stay in Ottawa and "make Parliament work." He stated that the proposed E.I. changes appeared to be "a step in the right direction," while still falling short of what the NDP would like to see. Unlike the NDP's decision earlier this year to oppose the 2009 budget without even reading it, Layton pledged to wait until he had seen the proposed E.I. legislation before deciding how the party would vote on the Ways and Means motion (although the two pieces of legislation are not directly linked). Layton nonetheless underscored that the NDP was not prepared to give the government a "blank check" and that its support, if any, would be on a vote-by-vote basis.

14. (U) Separately, Bloc Quebecois leader Gilles Duceppe indicated

that his party would have "no problem" supporting the Ways and Means motion if only to ensure adoption of the popular home renovation tax credit, but "if it's on all of the government's work, we are not in agreement with this government." Duceppe has not yet formally confirmed how his party would vote on the motion, expressing concern that the bill might contain a "poison pill."
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PUSHING THE ENVELOPE

15. (U) The Conservatives have insisted that they have not, and will not, engage in back-room deals to secure opposition support. Following the confidence vote on the Ways and Means motion on September 18, the government may present its third "report card" on the economy as early as September 18, although it is not due until the week of September 28, according to the terms of an agreement between the Liberals and the government in June. This agreement also provides for a Liberal "Opposition Day" two sitting days after the government tables the report. If the report card is tabled on September 18, the Liberals would have their first opportunity to table an explicit motion of non-confidence on September 29 or 30. (The House of Commons does not sit the week of September 20 due to G-20 meetings.)

POLLS GIVE CONSERVATIVES THE EDGE

16. (U) In the polls, the Conservatives continue to open a lead over the opposition parties after late summer shifts in voting intentions broke the stalemate of the past ten months. An Ipsos Reid poll released September 15 suggested that the Conservatives had the

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support of 39 pct of decided voters nationally (close to majority territory), while the Liberals had 30 pct and the NDP 12 pct. Support for the Bloc remained steady, and it remained in first place in Quebec. A separate Nanos poll gave PM Harper a wide margin over the Liberals' Ignatieff on trustworthiness, competence, and vision.

17. (SBU) Comment: The increasingly confident Conservative government has moved methodically through the summer to undermine the political *raisons d'etre* for a fall election by announcing stimulus funding, crafting changes to E.I., and warning of the damage to the economic recovery of a needless campaign. The Conservatives appear well-positioned -- financially and in the polls -- either to continue governing or to fight an election. Although the government is likely to survive its next confidence test on September 18, the Liberals appear increasingly determined to topple the Conservatives, and sooner rather than later will likely be able to garner the support of the NDP and the Bloc in doing so.

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